

REQUEST FOR COUNCIL ACTION

MEETING

DATE: 4/21/03

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AGENDA SECTION:
CONSENT**ORIGINATING DEPT:**
Administration**ITEM NO.**

D-5

ITEM DESCRIPTION: RESOLUTION OF SUPPORT - STATE AID BILLS SF 1421 AND
HF 1502**PREPARED BY:**
G. NEUMANN

These bills were discussed at the 4/14/03 COW meeting. These identical bills by Senator Langseth (DFL Glyndon) and Representative Dorman (IR Albert Lea) would reduce the proposed cuts in State Aid to the City of Rochester. Under the Governor's proposal, the State Aid to the City would be reduced by \$3.4 million in 2003 and by \$9.5 million in 2004. Under these bills, the cuts would be reduced to \$2.0 million in 2003 and \$2.6 million in 2004.

The main difference between these bills and the Governor's proposal is that these bills target the cuts to the Market Value Credit program with lesser cuts to Local Government Aid. More fairly distributing the cuts among all cities. In addition, these bills propose that some cuts be made in the Transit Relief program that was enacted in 2001 instead of such large cuts in LGA.

The attachment to this memo provides more detailed information on these bills and the other proposals that are being discussed for cuts in State Aid to cities.

At the 4/14/03 COW meeting, the Council indicated its unanimous support for the Langseth/Dorman bills.

COUNCIL ACTION REQUESTED.

Approval to adopt the prepared resolution of support for SF 1421 and HF 1502.

COUNCIL ACTION: Motion by: _____ Second by: _____ to: _____

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RESOLUTION

WHEREAS, the State of Minnesota faces a \$4.23 billion budget deficit;

AND WHEREAS, State payments to local governments for property tax relief must be used to help solve the budget deficit.

AND WHEREAS, Local Government Aid is an important source of property tax relief for taxpayers and business owners in Rochester and cities with lower property wealth.

AND WHEREAS, Representative Dan Dorman (R. Albert Lea – H.F. 1502) and Senator Keith Langseth (DFL, Glyndon – S.F. 1421) have introduced legislation that will reduce state funding for Local Government Aid and the Market Value Credit Program by a reasonable amount (14%) that does not cause excessive cuts in local government services or unduly increase local property taxes.

AND WHEREAS, the legislation provides for reductions in state payments to local governments that are similar to the amounts proposed by Governor Tim Pawlenty but provides them in a manner that requires the fair participation of taxpayers in all cities.

AND WHEREAS, state government cannot afford to offer the extra property tax relief that was enacted in 2001 as Transit Relief for bus programs.

AND WHEREAS, it is more important to fund Local Government Aid, distributed on the basis of community need, than it is to fund untargeted property tax relief through the additional 2001 State Transit Relief for bus systems.

AND WHEREAS, the formula for distributing Local Government Aid to cities must be reformed in a manner that distributes state aid on the basis of city need and tax capacity and not on the basis of "grandfathered" spending levels.

NOW, THEREFORE, BE IT RESOLVED by the City of Rochester that it supports H.F. 1502 and S.F. 1421.

BE IT FURTHER RESOLVED that the City of Rochester supports repeal of the 2001 State Transit Relief.

BE IT FURTHER RESOLVED that the City of Rochester supports a new Local Government Aid distribution formula that is based on a city's need and its tax capacity, rather than on a "grandfather" clause that awards state aid according to historical spending levels.

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PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF
ROCHESTER, MINNESOTA, THIS _____ DAY OF _____, 2003.

PRESIDENT OF SAID COMMON COUNCIL

ATTEST: _____
CITY CLERK

APPROVED THIS _____ DAY OF _____, 2003.

MAYOR OF SAID CITY

(Seal of the City of
Rochester, Minnesota)

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COMPARISON - CITY AID REDUCTION ALTERNATIVE PROPOSALS

4/11/03

This is a comparison of the city aid reduction alternatives to the Governor's proposal that are currently being discussed in the Legislature. The City is in strong support of the proposal listed as Senate File 1421 Langseth (DFL Glyndon)/House File 1502 Dorman (IR Albert Lea). Citizens that are concerned about the Governor's proposed cuts to Rochester should contact their legislators to author and support SF 1421 and HF 1502. That bill provides the most reasonable reduction in aids to Greater Minnesota Cities and more equitably shares the pain of State Aid reductions on a statewide basis.

1. **SF 1421 Langseth/HF 1502 Dorman.** The Governor's proposed cut in State Local Government Aid (LGA) and Market Value Credit (MVC) was \$435 million for the biennium (a 32% cut). Under the Langseth/Dorman bill, the cut to LGA and MVC would total \$192 million (a 14% cut). This is a reduction similar to cuts in other State budget programs. Under this bill, the cuts are more fairly distributed among all cities. In contrast to the Governor's recommendation to greatly reduce LGA, a program that is based on need and low property wealth, by \$376 million, the Langseth/Dorman bill reduces it by \$28 million. The MVC program, which is more common to all cities, is reduced by \$163 million under this bill, instead of the \$59 million reduction under the Governor's proposal. The bill recommends that the Transit (Bus system) Relief that was provided by the Legislature in 2001 be reduced by \$260 million to reach a total cut of \$452 million if the decision is made not to increase state taxes or secure additional revenues from a "racino". The reduction in the Transit Relief primarily affects Metropolitan communities that received greater property tax relief than rural Minnesota cities in the 2001 property tax reform. Although the Transit Relief reduction would also affect Greater Minnesota cities such as Duluth, St. Cloud, Mankato, and Rochester.

Under the Governor's proposal, the City of Rochester would lose \$3.4 million in aid in 2003 and \$9.5 million in 2004. Under the Langseth/Dorman bill, the cuts to Rochester would be reduced for 2003 to \$2.0 million and for 2004 to \$2.3 million in aid, plus \$350,000 in Transit Relief for a total of \$2.65 million. The bill similarly lessens the cuts to other Greater Minnesota Cities.

There are currently 34 authors for the Dorman bill in the House (19 Republicans and 15 Democrats). In the Senate, there is a limit of five authors. Senator David Senjem (IR Rochester) is one of the five authors. There is a process for an identical duplicate bill to be introduced in the Senate to list additional authors. Senator Sheila Kiscaden has offered to sign as an author on that bill to support the Langseth/Dorman bill. More House authors are being sought.

2. **House GOP Leadership Alternative.** The House GOP Leadership has developed an alternative that would reduce the cuts in State Aid to cities. Under this proposal, an additional \$90 million in State revenue would be obtained through approval and construction of a "racino" at Canterbury Downs. This funding would be used to reduce the LGA cuts and other purposes. Under this plan, the cuts to the City of Rochester would remain at \$3.4 million for 2003 but would be reduced to \$3.9 million in 2004. This is welcomed and much appreciated reduction proposal. However, the limited amount of new revenue from "racino" proceeds would still impose major cuts on Greater Minnesota Cities. A cut of \$3.9 million is still equivalent to 16% of the total property tax levy for all Rochester City government services. This plan does not propose to make any change in the Transit Relief from 2001 that primarily benefited the Metro Area. As a result, the cuts to Greater Minnesota cities and the central cities are larger under this proposal than under SF 1421/HF1502.
3. **Senate DFL Proposed Budget Bill.** Under the Senate DFL proposed budget bill, the State Aid cuts to cities would be reduced by \$200 million. This is a similar reduction to SF 1421. The specifics on how these reductions are made and how the remaining cuts are distributed among cities is not available at this time. These lessened cuts in aid may be dependent on approval for new state taxes.

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	Pay '03 City Tax Rate	LGA Cut	MV Credit Cut	Total Cut	Cut as % of 2003 Levy+ Aid	Levy Back Tax Rate	MV Credit Cut	LGA Cut	Total Cut	Cut as % of 2003 Levy+ Aid	Levy Back Tax Rate	Transit Aid	Levy Back Tax Rate
Kellogg (100%)	40.6	23,261	-	23,261	18.8%	16.7	12,788	775	13,563	10.9%	9.7	343	0.2
Kenyon (100%)	78.0	144,228	28,491	172,719	17.8%	24.6	64,115	6,061	70,176	7.2%	10.0	245	0.0
Lewiston (100%)	49.4	59,478	28,238	87,716	14.8%	14.2	43,429	3,713	47,142	7.9%	7.6	-	-
Mazeppa (100%)	51.5	29,670	-	29,670	9.3%	11.3	25,131	1,996	27,127	8.5%	10.4	643	0.2
Millville (100%)	36.7	3,651	-	3,651	9.9%	6.7	4,170	232	4,402	11.9%	8.1	134	0.2
Minneiska (100%)	18.4	3,774	-	3,774	18.6%	6.6	2,604	127	2,731	13.5%	4.8	67	0.1
Minnesota City (100%)	38.9	6,434	-	6,434	11.5%	8.3	6,693	350	7,043	12.6%	9.1	-	-
Pine Island (95%)	28.1	161,466	-	161,466	18.1%	12.4	45,403	5,586	50,989	5.7%	3.9	565	0.0
Rollingstone (100%)	46.4	31,720	-	31,720	14.1%	10.9	22,558	1,406	23,964	10.7%	8.2	-	-
Saint Charles (100%)	35.1	185,686	-	185,686	17.5%	14.1	68,965	6,650	75,615	7.1%	5.7	-	-
Stockton (100%)	55.0	(3,088)	18,373	15,285	8.8%	7.7	18,373	1,082	19,455	11.2%	9.8	-	-
Utica (100%)	32.2	5,270	-	5,270	10.3%	6.3	5,617	321	5,938	11.6%	7.1	-	-
Wanamingo (100%)	67.3	64,026	-	64,026	13.6%	16.4	32,058	2,945	35,003	7.4%	9.0	136	0.0
Zumbro Falls (100%)	38.0	5,443	5,091	10,534	19.9%	18.1	5,109	330	5,439	10.3%	9.3	143	0.2
Zumbrota (100%)	48.6	204,922	-	204,922	15.7%	13.5	82,573	8,165	90,738	7.0%	6.0	528	0.0
<u>Legislative District 29A--Representative Randy Demmer</u>													
Blooming Prairie (0%)	73.7	116,499	-	116,499	10.6%	16.1	88,901	6,872	95,773	8.7%	13.3	746	0.1
Byron (100%)	62.3	134,081	-	134,081	9.8%	7.8	116,111	8,526	124,637	9.1%	7.3	1,706	0.1
Claremont (100%)	95.2	43,494	-	43,494	14.9%	30.7	20,680	1,821	22,501	7.7%	15.9	104	0.1
Dodge Center (100%)	89.0	181,397	-	181,397	12.6%	20.9	85,479	9,017	94,496	6.6%	10.9	637	0.1
Hayfield (100%)	82.7	91,349	-	91,349	12.7%	20.1	53,327	4,508	57,835	8.0%	12.7	333	0.1
Kasson (100%)	54.4	300,302	-	300,302	17.3%	16.7	135,670	10,834	146,504	8.5%	8.2	2,890	0.2
Mantorville (100%)	59.5	51,501	-	51,501	10.0%	10.1	36,245	3,209	39,454	7.7%	7.7	373	0.1
Oronoco (100%)	40.9	24,807	-	24,807	8.9%	5.2	24,681	1,752	26,433	9.4%	5.6	471	0.1
Pine Island (5%)	28.1	161,466	-	161,466	18.1%	12.4	45,403	5,586	50,989	5.7%	3.9	565	0.0
Rochester (7%)	40.8	7,406,751	2,077,392	9,484,143	26.1%	15.5	2,077,392	227,305	2,304,697	6.3%	3.8	308,921	0.5
West Concord (100%)	99.5	45,196	-	45,196	9.6%	17.6	39,767	2,948	42,715	9.1%	16.6	188	0.1
<u>Legislative District 29B--Representative Fran Bradley</u>													
Rochester (42%)	40.8	7,406,751	2,077,392	9,484,143	26.1%	15.5	2,077,392	227,305	2,304,697	6.3%	3.8	308,921	0.5
<u>Legislative District 30A--Representative Carla Nelson</u>													
Rochester (43%)	40.8	7,406,751	2,077,392	9,484,143	26.1%	15.5	2,077,392	227,305	2,304,697	6.3%	3.8	308,921	0.5
<u>Legislative District 30B--Representative William Kuisle</u>													
Chatfield (47%)	57.8	172,667	-	172,667	13.7%	16.1	90,448	7,906	98,354	7.8%	9.2	466	0.0
Dover (100%)	34.2	13,871	-	13,871	10.3%	7.4	9,768	845	10,613	7.9%	5.7	185	0.1
Elgin (100%)	63.6	37,179	-	37,179	11.5%	13.2	29,341	2,024	31,365	9.7%	11.1	691	0.2
Eyota (100%)	47.9	46,899	5,764	52,663	9.1%	8.1	45,095	3,604	48,699	8.5%	7.5	644	0.1
Plainview (100%)	54.4	161,449	-	161,449	12.1%	12.2	91,836	8,332	100,168	7.5%	7.5	11,311	0.9
Rochester (8%)	40.8	7,406,751	2,077,392	9,484,143	26.1%	15.5	2,077,392	227,305	2,304,697	6.3%	3.8	308,921	0.5
Stewartville (100%)	40.3	381,900	-	381,900	22.0%	18.8	111,250	10,837	122,087	7.0%	6.0	11,231	0.6
<u>Legislative District 31A -- Representative Gene Pelowski Jr.</u>													
Dakota (100%)	54.2	396	8,466	8,862	9.7%	6.2	14,823	572	15,395	16.8%	10.8	-	-
Houston (100%)	126.0	84,227	-	84,227	12.7%	30.0	45,651	4,143	49,794	7.5%	17.7	172	0.1